

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE FILING OF CONTINENTAL TELEPHONE ) CASE NO. 9604  
OF ITS LATEST DEPRECIATION STUDY )

O R D E R

On June 4, 1986, Continental Telephone Company of Kentucky ("Contel") filed its depreciation study with the Commission in accordance with the requirements of the Commission's Regulation 807 KAR 5:064. The purpose of that study is to develop the proper Projection Life, Future Net Salvage, and Curve Shape, as appropriate, for each of Contel's plant accounts. Given these parameters, along with realized historical data, a depreciation rate is developed for each account.

In accordance with 807 KAR 5:064, Contel's study period is based on plant account balances as of December 31, 1985. At that time, the composite depreciation rate was 6.43%. The proposed composite rate, to be effective January 1, 1987, would be 7.74%, with a resulting annual change in accrual for depreciation of \$1,577,494.

On October 6, 1986, the Commission staff released its "Staff Proposal" of parameters for each of Contel's plant accounts. The staff's proposal would result in a composite depreciation rate of 6.76%, and a change in annual accrual for depreciation of \$422,613.

On November 4, 1986, Contel filed a counter-proposal to the staff's proposal and requested a conference call two-way meeting with Commission staff to attempt to reach agreement on parameters for each account. Contel's counter-proposal would produce a composite depreciation rate of 6.96%, and a change in annual accrual for depreciation of \$659,549.

On November 14, 1986, an informal two-way conference was conducted between Contel and Commission staff, and agreement was reached on appropriate parameters for each plant account. These parameters would produce a composite depreciation rate of 6.86%, and an annual increase in accrual for depreciation of \$540,418.

#### FINDINGS AND ORDER

The Commission, having considered this matter, including all evidence of record, is of the opinion and FINDS that:

- 1) A public hearing is not required in this matter since a complete record has been filed and no one has asked to intervene;
- 2) The agreement relative to parameters which has been reached between Contel and the Commission staff, and set forth in Appendix A to this Order, is fair, just, and reasonable to both Contel and its ratepayers, and should be approved effective January 1, 1987; and
- 3) Contel should begin booking its depreciation expense in accordance with the depreciation rates for each of its plant accounts as set forth in Appendix A to this Order on January 1, 1987.

IT IS THEREFORE ORDERED that:

1. The depreciation parameters and rates set forth in Appendix A to this Order be and they hereby are approved for Contel effective January 1, 1987.

2. Contel shall begin booking its depreciation expense in accordance with the depreciation rates for each of its plant accounts set forth in Appendix A to this Order on January 1, 1987.

Done at Frankfort, Kentucky, this 22nd day of December, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Herman  
Chairman

Richard L. ...  
Vice Chairman

James N. Williams  
Commissioner

ATTEST:

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Executive Director

# APPENDIX A

## APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 9604 DATED 12/22/86

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Statement A

### CONTINENTAL TELEPHONE COMPANY OF KENTUCKY Change in Depreciation Rates Company and PSC Staff Proposal

| Account Number | Class of Plant               | Whole Life Basis |        |                  |         | Composite Life Basis |        |                  |         |
|----------------|------------------------------|------------------|--------|------------------|---------|----------------------|--------|------------------|---------|
|                |                              | Effective 1/1/86 |        | Effective 1/1/87 |         | Effective 1/1/87     |        | Effective 1/1/87 |         |
|                |                              | A.S.L.           | A.N.S. | A.S.L.           | A.N.S.  | Ref. 1/1/84          | Expec. | F.N.S.           | Reserve |
| 212            | Buildings                    | 36 Yrs.          | 04     | 2.8%             | 36 Yrs. | 04                   | 2.8%   | 2.8%             | 20.7%   |
| 221.22         | C.O.E. SRS & Other           | 11.0             | 0      | 9.1              | 10.1    | 0                    | 9.9    | 12.2             | 2.4     |
| 221.22         | C.O.E. Switchboard           | 15.0             | 0      | 6.7              | -       | 0                    | -      | 10.6             | 0       |
| 221.23         | C.O.E. Analog Electronic     | 10.3             | 0      | 9.7              | -       | 0                    | -      | 24.06            | 0       |
| 221.24         | C.O.E. Microwave             | 9.1              | 0      | 11.0             | 9.6     | 0                    | Amort. | 17.4             | 2.5     |
| 221.25         | C.O.E. Power                 | 12.5             | 0      | 8.0              | 12.1    | 0                    | 8.3    | 10.0             | 6.9     |
| 221.26         | C.O.E. Circuit               | 13.5             | 2      | 7.3              | 9.8     | 0                    | 10.2   | 8.63             | 6.6     |
| 221.27         | C.O.E. AM/Teletype           | 10.7             | 0      | 9.3              | -       | Incl. with SRS       | 19.7   | 19.7             | 13.9    |
| 221.28         | C.O.E. Digital               | 22               | 0      | 4.5              | 15.2    | 0                    | 6.6    | 4.91             | 2.3     |
| 231.33/        | Sta. App. - Spl. Sec. Etc.   | 9.5              | 20     | 8.4              | -       | Incl. with Circuit   | 9.1    | -                | -       |
| 231.34         | Sta. App. - EDC*             | 9.5              | 20     | 8.4              | 9.5     | 20                   | 8.4    | 9.1              | -       |
| 232.20         | Sta. Comm. - I.M.            | -                | 0      | Amort.           | -       | 0                    | Amort. | Amort.           | 46.1    |
| 235            | Public Telephones            | 9.5              | 20     | 8.4              | 9.6     | -10                  | 11.5   | 9.1              | 5.3     |
| 241            | Pole Line                    | 20               | -52    | 7.6              | 17.6    | -38                  | 7.8    | 8.76             | 12.7    |
| 242.1          | Aerial Cable                 | 28               | -3     | 3.7              | 24      | -9                   | 4.5    | 4.09             | 18.7    |
| 242.2          | Underground Cable            | 32               | -8     | 3.4              | 26      | -8                   | 4.2    | 3.64             | 20      |
| 242.3          | Buried Cable                 | 29               | 2      | 3.4              | 24      | 1                    | 4.1    | 3.5              | 18.0    |
| 243            | Aerial Wire                  | 11.4             | -40    | 12.3             | 11.1    | -40                  | 12.6   | 23.9             | 3.5     |
| 244            | Underground Conduit          | 40               | 0      | 2.5              | 40      | 0                    | 2.5    | 2.6              | 25      |
| 261            | Furniture & Office Equip.    | 24               | 5      | 4.0              | 22      | 5                    | 4.3    | 3.6              | 16.1    |
| 262            | Official Terminal Equip.     | 9.5              | 20     | 8.4              | 8.5     | 10                   | 10.6   | 9.1              | 6.4     |
| 264.2X         | Vehicles (Sedans & Sm. Vans) | -                | -      | -                | 5.0     | 15                   | 17.0   | -                | -       |
| 264.2X         | Vehicles (Heavy Const.)      | 10               | 5      | 9.5              | 8       | 15                   | 10.6   | 8.6              | -       |
| 264.86         | Other Work Equip.            | 16.0             | 1      | 6.2              | 12.8    | 4                    | 7.5    | 6.2              | 9.7     |

\* Proposed same as present.

# APPENDIX A

## APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 9604 DATED 12/22/86

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Statement B

### CONTINENTAL TELEPHONE COMPANY OF KENTUCKY Change In Annual Depreciation Accruals Company and PSC Staff Proposal

| Account Number | Class of Plant                | Cost<br>12/31/85 | Whole Life Basis |             |                    |             | Composite Life Basis |         |                  |                    |           |
|----------------|-------------------------------|------------------|------------------|-------------|--------------------|-------------|----------------------|---------|------------------|--------------------|-----------|
|                |                               |                  | Effective 1/1/84 |             | Effective 1/1/87   |             | Effective 1/1/84     |         | Effective 1/1/87 |                    |           |
|                |                               |                  | Rate             | Accrual     | Rate               | Accrual     | Rate                 | Accrual | Rate             | Accrual            |           |
| 212            | Bulldings                     | \$ 5,819,753     | 2.8 %            | \$ 162,953  | 2.8 %              | \$ 162,953  | \$                   | 0       | 0                |                    |           |
| 221-EX         | C.O.E. SWS & Other            | 7,886,749        | 9.1              | 717,694     | 9.9                | 780,788     | 63,094               | 12.2    | 962,183          | 1,023,377          | 63,094    |
| 221-22         | C.O.E. Switchboard            | 0                | 6.7              | 0           | -                  | -           | -                    | 10.6    | 0                | -                  | 0         |
| 221-23         | C.O.E. Analog Electronic      | 2,765,846        | 9.7              | 268,287     | Amort.             | 375,761     | 107,474              | 24.06   | 665,463          | 375,761            | (289,702) |
| 221-24         | C.O.E. Microwave              | 696,033          | 11.0             | 76,544      | 10.4               | 72,387      | (4,177)              | 17.4    | 121,110          | 65,427             | (55,683)  |
| 221-25         | C.O.E. Power                  | 1,713,611        | 8.0              | 137,009     | 8.3                | 142,230     | 5,161                | 10.0    | 131,361          | 162,793            | (8,568)   |
| 221-26         | C.O.E. Circuit                | 9,694,007        | 7.3              | 707,643     | 10.2               | 948,789     | 281,126              | 6.63    | 836,593          | 1,006,177          | 171,584   |
| 221-27         | C.O.E. AM/RT-Relay            | 276,027          | 9.3              | 25,671      | 9.9                | 27,327      | 1,656                | 19.7    | 54,377           | 35,884             | (18,493)  |
| 221-28         | C.O.E. Digital                | 11,221,077       | 4.5              | 504,948     | 6.6                | 740,591     | 235,643              | 4.91    | 550,955          | 785,475            | 234,520   |
| 231-33/<br>38  | Sta. App. - Spec. Svc. Etc.   | 0                | 8.4              | 0           | Incl. with Circuit | 0           | 0                    | 9.1     | 0                | Incl. with Circuit | 0         |
| 231-34         | Sta. App. - MOC               | 7,656            | 8.4              | 643         | 8.4                | 643         | 0                    | 9.1     | 697              | 9.1                | 0         |
| 232-20         | Sta. Comm. - I.W.             | 4,187,203        | Amort.           | 380,004     | Amort.             | 380,004     | 0                    | Amort.  | 380,004          | Amort.             | 0         |
| 235            | Public Telephones             | 332,077          | 8.4              | 27,942      | 11.5               | 38,281      | 10,319               | 9.1     | 30,292           | 37,282             | 6,990     |
| 241            | Pole Line                     | 11,487,937       | 7.6              | 873,082     | 7.8                | 896,098     | 32,976               | 8.76    | 1,006,342        | 942,010            | (64,332)  |
| 242-1          | Aerial Cable                  | 36,454,525       | 3.7              | 1,348,817   | 4.5                | 1,640,454   | 291,637              | 4.09    | 1,490,990        | 1,713,363          | 222,373   |
| 242-2          | Underground Cable             | 1,092,424        | 3.4              | 37,142      | 4.2                | 45,882      | 8,740                | 3.64    | 39,764           | 45,882             | 6,118     |
| 242-3          | Buried Cable                  | 23,111,095       | 3.4              | 785,777     | 4.1                | 947,595     | 161,778              | 3.5     | 808,088          | 1,016,888          | 208,000   |
| 243            | Aerial Wire                   | 1,200,188        | 12.3             | 157,443     | 12.6               | 161,304     | 3,841                | 23.9    | 305,965          | 366,134            | 60,169    |
| 244            | Underground Conduit           | 607,574          | 2.5              | 15,189      | 2.5                | 15,189      | 0                    | 2.6     | 15,797           | 15,797             | 0         |
| 245            | Paraliter & Office Equip.     | 354,108          | 4.0              | 14,244      | 4.3                | 15,313      | 1,069                | 3.6     | 12,820           | 12,820             | 0         |
| 246            | Offical Terminal Equip.       | 241,522          | 8.4              | 20,288      | 10.6               | 25,601      | 5,313                | 9.1     | 21,379           | 28,983             | 7,004     |
| 246-EX         | Vehicle (Medium & Small Vans) | 0                | -                | -           | 17.0               | -           | -                    | 17.0    | -                | -                  | -         |
| 246-EX         | Vehicle (Heavy Const.)        | 25,985           | 9.3              | 2,449       | 10.6               | 2,754       | 385                  | 8.6     | 2,215            | 2,734              | 519       |
| 246-EX         | Other Work Equip.             | 394,879          | 6.2              | 24,606      | 7.5                | 29,766      | 5,160                | 6.2     | 24,606           | 21,431             | (3,175)   |
| Total          |                               | \$119,663,046    | 5.26%            | \$6,288,555 | 6.26%              | \$7,489,630 | \$1,201,075          | 6.41%   | \$7,665,274      | \$9,205,792        | \$540,418 |

\* Proposed same as present.

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APPENDIX TO AN ORDER OF THE PUBLIC SERVICE  
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## STATEMENT C

CONTINENTAL TELEPHONE COMPANY OF KENTUCKY  
PARAMETER SUMMARY  
DECEMBER 31, 1985 STUDY

| Acct<br>No. | Class of Plant                    | First Proj. Life<br>Year<br>ELG | or<br>AYFR                  | Future<br>Net<br>Salvage | Curve Shape<br>or Interim<br>Retirement Rate |
|-------------|-----------------------------------|---------------------------------|-----------------------------|--------------------------|--|
| 212         | Buildings                         |                                 | 2015                        | 0%                       | .0029  |
| 221.XX      | C.O.E.-SKS & Other                |                                 | Various                     | 0                        | .0056  |
| 221.22      | C.O.E.-Switchboard                |                                 | Amort.                      | 0                        |  |
| 221.23      | C.O.E.-Analog Elec.               |                                 | Amort.                      | 0                        |  |
| 221.24      | C.O.E.-Microwave                  |                                 | 1988.5                      | 0                        | 0  |
| 221.25      | C.O.E.-Power                      | Comp. of                        | Switching                   | 0                        |  |
| 221.26      | C.O.E.-Circuit                    | 1984                            | 11                          | 0                        | Iowa L 0                                     |
| 221.27      | C.O.E.-ANI/Tktg.                  |                                 | Incl. with                  | C.O.E. - SKS             |  |
| 221.28      | C.O.E.-Digital                    | 1984                            | 20                          | 0                        | Iowa R 1.5                                   |
| 231.33      | Sta. App. -                       |                                 |                             |                          |  |
| .38         | Spl. Svc. Etc.                    |                                 |                             |                          |  |
| 231.34      | Sta. App. - HDC                   |                                 | Incl. with C.O.E. - Circuit |                          |  |
| 232.20      | Sta. Conn. - I.W.                 |                                 | Proposed same as present    |                          |  |
|             |                                   |                                 | Amort.                      | 0                        |  |
| 235         | Public Telephones                 | 1984                            | 10                          | -10                      | Iowa L 2                                     |
| 241         | Pole Lines                        | 1984                            | 19                          | -38                      | Iowa L 2                                     |
| 242.1       | Aerial Cable                      | 1984                            | 26                          | -9                       | Iowa S 1                                     |
| 242.2       | Underground Cable                 | 1984                            | 30                          | -8                       | Iowa R 1.5                                   |
| 242.3       | Buried Cable                      | 1984                            | 25                          | 1                        | Iowa S 1                                     |
| 243         | Aerial Wire                       | 1984                            | 10                          | -40                      | Iowa S 0                                     |
| 244         | Underground Conduit               | 1984                            | 40                          | 0                        | Iowa S 3                                     |
| 261         | Furn. & Office Eq.                | 1984                            | 24                          | 5                        | Iowa S 1                                     |
| 262         | Off. Terminal Eq.                 | 1984                            | 10                          | 10                       | Iowa L 2                                     |
| 264.XX      | Vehicles (Sedans &<br>Small Vans) |                                 | 5                           | 15                       |  |
| 264.XX      | Vehicles (Heavy<br>Construction)  |                                 | 8                           | 15                       |  |
| 264.86      | Other Work Eq.                    | 1984                            | 16                          | 4                        | Iowa S 0                                     |